



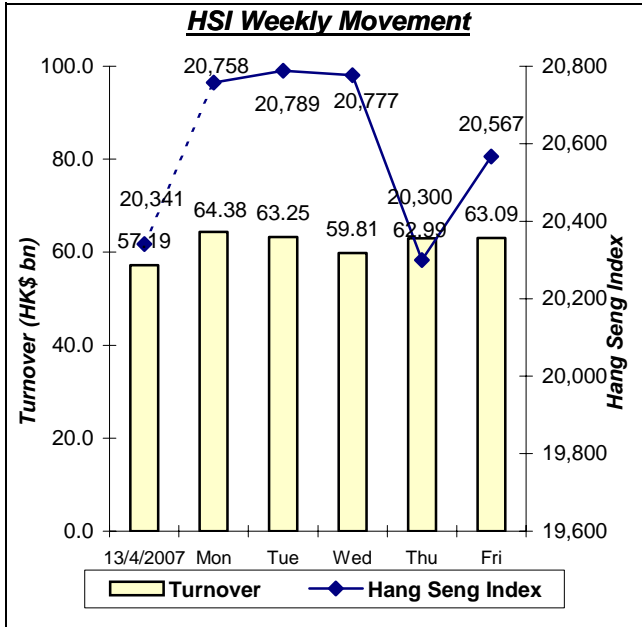
Restricted circulation

Analyst: Anita Hwang

Weekly Report

20<sup>th</sup> April 2007

## Renewed austerity fear from the Mainland remains an overhang



Week ended	20/04/07	13/04/07	Change	%
Hang Seng Index	20,567	20,341	+226	+1.1%
HS Red Chip Index	3,550	3,488	+62	+1.8%
HS China Enterprises Index	10,180	10,156	+24	+0.2%
HS Composite Index	2,893	2,861	+32	+1.1%
HS HK Composite Index	2,530	2,516	+14	+0.6%
HS Mainland Composite Index	3,386	3,332	+54	+1.6%
Growth Enterprise Index	1,359	1,360	-1	-0.1%
Avg Daily Turnover (HK\$ bn)	62.7	57.9	+5	+8.2%
<b>Sectoral Indices</b>				
Finance	32,639	32,109	+530	+1.7%
Utilities	37,178	36,553	+625	+1.7%
Properties	24,308	24,353	-45	-0.2%
Comm & Ind	11,108	11,012	+96	+0.9%

### Review & Outlook of Market Performance

The local bourse began the week with a 417-point gain on upsurge in Japanese and other regional markets. The gains were mainly led by heavyweights China Mobile (HK\$74.90; +5.27% w-o-w) and HSBC (HK\$144.60; +2.77% w-o-w). HSCEI also headed north tracking the strong rally in the A-share market, which set another new high early in the week. During mid-week, investors were cautious awaiting the release of China's 1Q07 GDP and CPI figures. Investors' worry of another round of tightening measures triggered by above-forecast figures was turned into realism on Thursday. China's CPI in March was +3.3% y-o-y, above the forecast of +2.8%. 1Q07 CPI reached +2.7% y-o-y while 1Q07 GDP growth was 11.1% y-o-y versus a forecast of 11.0%. The HSI, HSCEI, and the A-share market nose-dived on expectation of further rates hikes and/or increase of reserve requirement ratio. However, investors viewed the tumble as an excuse for healthy correction and bargain-hunt on Friday. While the US Dow reached a record close of 12,808.63 during the week, HSI gained 1.1% w-o-w to 20,566.59, while HSCEI gained 0.2% to 10,179.87. Average daily turnover increased to HK\$62.7 billion from previous week's HK\$57.9 billion.

Chinese property stocks were in the spotlight this week amid the debut of Country Garden (stock code: 2007), the biggest-ever IPO by a Chinese property developer, which rose 35% above its IPO price. The frenzy spread to other Chinese property stocks, such as Shimao Property (0813) (HK\$19.10; +11.18% w-o-w) and Guangzhou R&F (2777) (HK\$19.62; +3.26% w-o-w). According to a survey of large and medium-sized cities by the National Bureau of Statistics of China, the average price of new homes in 70 Chinese cities rose 5.9% y-o-y in 1Q07. These strong figures and the fear of further tightening measures did not seem to cool down the frenzy in these counters.

Chinese enterprises with A-share listing are about to report their first-quarter results. After Friday's market closing, China Mobile reported 1Q07 net profit slightly above forecasts on strong subscribers growth. Volatility in the A-share market is expected before the market closes for the long Labour Day holiday (May 1 to May 7 inclusive) as the market generally speculates a rate hike before the long holiday. While any shocks in the A-share market should also be felt in the local markets, we see the HSI to have good support at 20,200.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.*

**US & Regional Markets Weekly Update**

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to							
20th April	12,808.63*	2,505.35*	17,452.62	3,360.67	1,315.37	687.53	7,942.67
13th April	12,612.13	2,491.94	17,363.95	3,373.59	1,308.20	692.46	8,002.30
<b>Change</b>	+196.50	+13.41	+88.67	-12.92	+7.17	-4.93	-59.63
%	+1.6%	+0.5%	+0.5%	-0.4%	+0.5%	-0.7%	-0.7%

 Remarks: (\*) closing as of 19<sup>th</sup> April 2007

**Major Changes in Index Constituent Stocks (Week ended 20<sup>th</sup> April 2007)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @20/04/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Construction Bank	0939	HK\$4.88	+HK\$0.24	+5.17%	The company reported a 1.7% decline in net profit to RMB46,322 million for FY06, in-line with market expectations of RMB43,302 million to RMB52,060 million.
China Resources Enterprise	0291	HK\$28.30	+HK\$0.60	+2.17%	The company agreed to sell its petroleum distribution business in HK to Sinopec (0386), for HK\$4 billion. The company said it would pay a special dividend of HK\$0.6 per share on completion of the deal.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @20/04/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communications Construction	1800	HK\$10.60	+HK\$0.84	+8.61%	The company reported a 45.7% y-o-y jump in net profit to RMB3.2 billion for FY06, better than its pre-listing profit estimate of RMB2.8 billion.
PICC Property and Casualty	2328	HK\$4.80	-HK\$0.37	-7.16%	PICC reported a 121.5% y-o-y rise in net profit to RMB2,082 million, below market consensus of RMB2,236 million.
Shanghai Electric	2727	HK\$3.40	-HK\$0.56	-14.14%	Shanghai Electric released its FY06 results with net profit up 22.5% to RMB2,049 million, lagged behind market consensus of RMB2,230 million.

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @20/04/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinofert	0297	HK\$4.13	-HK\$0.33	-7.40%	Sinofert reported a 15% y-o-y increase in net profit to HK\$896 million for FY06, below consensus estimates of HK\$ 934 million.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Retail sales – March 2007	+0.7%	The figure was ahead of the market expectation at 0.4%. The March increase, the strongest since a 1.1% rise in Dec, was helped by warmer weather and an early Easter boosting shopping in March.
CPI – March 2007	+0.6%	March CPI in the U.S. increased 0.6%, fueled by a 5.9% rise in energy prices. The market had forecasted a 0.7% rise in CPI.
Housing starts – March 2007	1.518 million	New home starts rose 0.8% in March on warm weather. The estimates beat economist forecasts of housing starts of 1.50 million.
Industrial Production	-0.2%	Industrial production in the U.S. declined in March as warm weather reduced electricity demand.
Index of leading indicators – March 2007	+0.1%	Index of leading economic indicators rose 0.1% to 137.4 in March in-line with market expectations.
Initial jobless claims – week ended 14 <sup>th</sup> April 2007	-4,000	Initial jobless claims fell to 339,000 from the previous week's revised figure 343,000. Economists had expected jobless claims to fall to 320,000.

**Forthcoming Important Announcements / Events**

23 <sup>rd</sup> April 2007 (Monday)	HK	: Global Biochem (0809) – FY2006 final results Hunan Nonferrous Metals (2626) – FY2006 final results Huiyuan Juice (1886) – FY2006 final results Prime Success (0210) – FY2006 final results Tingyi (0322) – FY2006 final results Tongda Group (0698) – FY2006 final results Zhuzhou CSR Times Electric (3898) – FY2006 final results
	US	: Amgen Inc. – Q1 2007 results Boston Scientific Corp – Q1 2007 results
24 <sup>th</sup> April 2007 (Tuesday)	HK	: Emperor Capital (0717) – debut trading CATIC International (0232) – FY2006 final results Hong Long Holdings (1383) – FY2006 final results Intime Department Store (1833) – FY2006 final results Lingbao Gold (3330) – FY2006 final results Zhejiang Expressway (0576) – FY2006 final results SMIC (0981) – FY2006 final results
	US	: <b>Consumer confidence – April 2007</b> <b>Existing home sales – March 2007</b> <b>AT&amp;T Inc. – Q1 2007 results</b> <b>Sun Microsystems Inc. – Q3 2007 results</b>
25 <sup>th</sup> April 2007 (Wednesday)	HK	: Ajisen (China) (0538) – FY2006 final results <b>Beijing Airport (0694) – FY2006 final results</b> Capital Estate (0193) – FY2006 final results Luoyang Glass (1108) – FY2006 final results
	US	: <b>New Homes Sales – March 2007</b> <b>Durable goods orders – March 2007</b> <b>Apple Inc. – Q2 2007 results</b> <b>Boeing Co. – Q1 2007 results</b>
26 <sup>th</sup> April 2007 (Thursday)	HK	: China Molybdenum (3993) – debut trading Min Xin Holdings (0222) – FY2006 final results <b>China Unicom (0762) - 1Q07 results</b>
	US	: Initial jobless claims – week ended 21 <sup>st</sup> April 2007 <b>Coca-Cola Enterprises Inc – Q1 2007 results</b> <b>Dow Chemical Co. – Q1 2007 results</b> <b>Exxon Mobil Corp. – Q1 2007 results</b> <b>Ford Motor Co. – Q1 2007 results</b> <b>Microsoft Corp. – Q3 2007 results</b>
27 <sup>th</sup> April 2007 (Friday)	HK	: China CITIC Bank (0998) – debut trading Guangzhou Pharmaceutical (0874) – FY2006 final results TCL Communication (2618) – FY2006 final results TCL Multimedia (1070) – FY2006 final results
	US	: GDP – Q1 2007 Chevron Corp. – Q1 2007 results



## **Important Disclosure / Analyst Certification / Disclaimer**

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.